

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Battle Creek-Ida Grove Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 election)		
Tony Bennett	President	2008
Duane Hummelgard	Vice President	2007
Lenee Sinnott	Board Member	2007
Ed Sohm	Board Member	2008
Mark Bogue	Board Member	2009
Becky Matthies	Board Member	2009
Dr. Michael Luft	Board Member	2009
Board of Education (After September 2007 election)		
Tony Bennett	President	2008
Mark Bogue	Vice President	2009
Duane Hummelgard	Board Member	2010
Ed Sohm	Board Member	2009
Mike Andrews	Board Member	2010
Becky Matthies	Board Member	2009
Dr. Michael Luft	Board Member	2010
School Officials		
Russ Freeman	Superintendent	2008
Laurel Boerner	District Secretary	2008
Kathy Leonard	District Treasurer	2008
Rick Franck	Attorney	2008

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Battle Creek-Ida Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District, Ida Grove, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Battle Creek-Ida Grove Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2009 on our consideration of the Battle Creek-Ida Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Battle Creek-Ida Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Battle Creek-Ida Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,901,956 in fiscal 2007 to \$6,151,858 in fiscal 2008, while General Fund expenditures increased from \$6,212,952 in fiscal 2007 to \$6,250,451 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$576,184 in fiscal 2007 to a balance of \$477,501 in fiscal 2008, a 17.13% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax monies and state sources revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Battle Creek-Ida Grove Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Battle Creek-Ida Grove Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Battle Creek-Ida Grove Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Battle Creek-Ida Grove Community School District Annual Financial Report

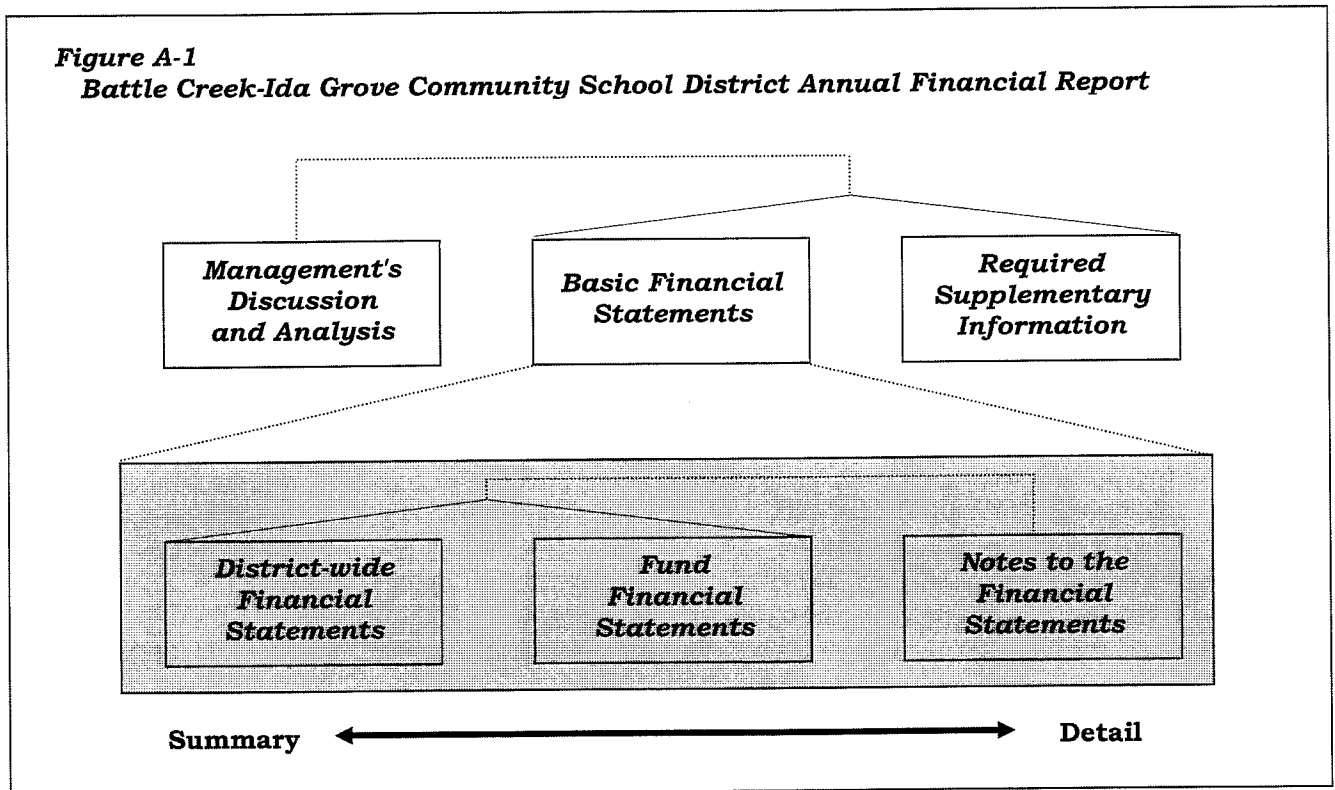


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as

changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 6,520,726	4,631,289	97,174	128,941	6,617,900	4,760,230	39.02%
Capital assets	1,823,885	1,965,418	18,249	20,009	1,842,134	1,985,427	-7.22%
Total assets	8,344,611	6,596,707	115,423	148,950	8,460,034	6,745,657	25.41%
Long-term obligations	39,032	42,721	0	0	39,032	42,721	-8.64%
Other liabilities	4,900,911	2,985,316	9,573	37,928	4,910,484	3,023,244	62.42%
Total liabilities	4,939,943	3,028,037	9,573	37,928	4,949,516	3,065,965	61.43%
Net assets:							
Invested in capital assets, net of related debt	1,823,885	1,965,418	18,249	20,009	1,842,134	1,985,427	-7.22%
Restricted	942,271	915,363	0	0	942,271	915,363	2.94%
Unrestricted	638,512	687,889	87,601	91,013	726,113	778,902	-6.78%
Total net assets	\$ 3,404,668	3,568,670	105,850	111,022	3,510,518	3,679,692	-4.60%

The District's combined net assets decreased by 4.60%, or \$169,174 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$26,908, or 2.94% over the prior year. The increase was primarily a result of the District increase in the local tax revenues in the General Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$52,789, or 6.78%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 603,770	738,597	144,123	144,409	747,893	883,006	-15.30%
Operating grants and contributions and restricted interest	868,465	702,648	146,728	144,950	1,015,193	847,598	19.77%
Capital grants and contributions and restricted interest	1,925	225	0	0	1,925	225	755.56%
General revenues:							
Property tax	2,135,981	2,011,970	0	0	2,135,981	2,011,970	6.16%
Income surtax	219,018	168,302	0	0	219,018	168,302	30.13%
Local option sales and services tax	331,493	416,705	0	0	331,493	416,705	-20.45%
Unrestricted state grants	2,651,853	2,705,996	0	0	2,651,853	2,705,996	-2.00%
Other	187,704	109,963	3,457	4,627	191,161	114,590	66.82%
Total revenues	7,000,209	6,854,406	294,308	293,986	7,294,517	7,148,392	2.04%
Program expenses:							
Governmental activities:							
Instructional	4,433,503	4,382,318	33,029	33,072	4,466,532	4,415,390	1.16%
Support services	2,135,387	2,203,875	1,992	3,139	2,137,379	2,207,014	-3.16%
Non-instructional programs	0	0	264,459	232,939	264,459	232,939	13.53%
Other expenses	595,321	323,258	0	0	595,321	323,258	84.16%
Total expenses	7,164,211	6,909,451	299,480	269,150	7,463,691	7,178,601	3.97%
Changes in net assets	(164,002)	(55,045)	(5,172)	24,836	(169,174)	(30,209)	460.01%
Beginning net assets	3,568,670	3,623,715	111,022	86,186	3,679,692	3,709,901	-0.81%
Ending net assets	\$ 3,404,668	3,568,670	105,850	111,022	3,510,518	3,679,692	-4.60%

Property tax, income surtax, local option sales and services tax and unrestricted state grants account for 76.26% of the revenue from governmental activities. The District's expenses primarily relate to instruction and support services which account for 88.48% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in Income surtax. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

Governmental Activities

Revenues for governmental activities were \$7,000,209 and expenses were \$7,164,211. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,433,503	4,382,318	1.17%	3,214,334	3,186,126	0.89%
Support services	2,135,387	2,203,875	-3.11%	2,119,670	2,192,216	-3.31%
Other expenses	595,321	323,258	84.16%	356,047	89,639	297.20%
Totals	<u>\$ 7,164,211</u>	<u>6,909,451</u>	<u>3.69%</u>	<u>5,690,051</u>	<u>5,467,981</u>	<u>4.06%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$603,770.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$870,390.
- The net cost of governmental activities was financed with \$2,135,981 in property tax, \$219,018 in income surtax, \$331,493 in local option sales and services tax, \$2,651,853 in unrestricted state grants, \$123,850 in interest income and \$63,854 in other general revenue.

Business-Type Activities

Revenues of the District's business-type activities were \$294,308 and expenses were \$299,480. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Battle Creek-Ida Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,432,120, below last year's ending fund balances of a \$1,470,528. The primary reason for the decrease in combined fund balances in fiscal 2008 is due to the increase in the instruction expenses in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position declined from \$576,184 to \$477,501 and is the product of many factors.
- Increase in local sources and state sources during the year resulted in an increase in revenues.

-
- The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
 - The Management Levy Fund balance decreased from \$252,941 in fiscal 2007 to \$197,840 in fiscal 2008. The District had a decrease in local revenue resulting in the decrease in the fund balance.
 - The Capital Projects Fund balance increased from \$438,855 in fiscal 2007 to \$544,189 in fiscal 2008. This was the fourth complete year of the District receiving local option sales.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$101,296 at June 30, 2007 to \$94,677 at June 30, 2008, representing a decrease of 6.53%. The Day Care Fund net assets increased from \$9,726 at June 30, 2007 to \$11,173 at June 30, 2008, representing an increase of 14.88%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$270,719 less than budgeted revenues, a variance of 3.59%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.22% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$268,295.

The original cost of the District's capital assets was \$6.4 million. Governmental funds account for \$6.3 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$417,467 at June 30, 2008, compared to \$471,122 reported at June 30, 2007. This decrease resulted from the disposal of equipment and depreciation expense for the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 124,260	124,260	0	0	124,260	124,260	0.00%
Buildings	1,065,185	1,135,970	0	0	1,065,185	1,135,970	-6.23%
Land improvements	235,222	254,075	0	0	235,222	254,075	-7.42%
Machinery and equipment	399,218	451,113	18,249	20,009	417,467	471,122	-11.39%
Total	\$ 1,823,885	1,965,418	18,249	20,009	1,842,134	1,985,427	-7.22%

Long-Term Debt

At June 30, 2008, the District had \$39,032 in other long-term debt outstanding. This represents a decrease of 8.64% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Levy Fund of \$39,032 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Early Retirement	\$ 39,032	42,721	-8.64%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for several years (69 students in the last 3 school years) and the District projections show a continued decrease for the next 3 years.
- The Budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Ida County passed by 86% the Local Option Sales and Service Tax for school infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings and grounds, and purchasing equipment. The funding began in September 2004, allowing the District the funds to do several projects that wouldn't have been possible without the 1 cent tax. The District is very grateful to our community for rallying behind the school in passing this very important tax.

-
- District sharing talks continue with Odebolt-Arthur and more sharing is being done between the districts educationally. An agreement was reached between the two districts in 07-08 to begin whole grade sharing for Grades 7-12 in 2009-2010.
 - The three certified staff who retired at the end of 2006-2007 were not replaced, thus resulting in a savings of approximately \$150,000 in General Fund money.
 - The Board has developed a plan whereby the Early Childhood Center building has been put up for sale with a targeted closure date of December 31, 2009 and discussion has been held whereas another building will be closed within 2-3 years. This will provide additional savings to the General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathy Leonard, District Treasurer, Battle Creek-Ida Grove Community School District, 301 Moorehead Street, Ida Grove, Iowa, 51445.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 1,567,704	0	1,567,704
Other	2,094,111	113,198	2,207,309
Receivables:			
Property tax:			
Delinquent	30,496	0	30,496
Succeeding year	2,360,270	0	2,360,270
Income surtax	187,695	0	187,695
Interfund	23,525	(23,525)	0
Accounts	20,698	120	20,818
Accrued interest-ISCAP (Note 4)	12,469	0	12,469
Due from other governments	223,758	0	223,758
Inventories	0	7,381	7,381
Capital assets, net of accumulated depreciation (Note 6)	1,823,885	18,249	1,842,134
TOTAL ASSETS	8,344,611	115,423	8,460,034
LIABILITIES			
Accounts payable	299,756	587	300,343
Salaries and benefits payable	650,384	5,258	655,642
ISCAP warrants payable (Note 4)	1,559,000	0	1,559,000
ISCAP accrued interest payable (Note 4)	13,416	0	13,416
ISCAP unamortized premium	17,183	0	17,183
Deferred revenue:			
Succeeding year property tax	2,360,270	0	2,360,270
Other	902	0	902
Unearned revenue	0	3,728	3,728
Long-term liabilities (Note 7):			
Portion due within one year:			
Early retirement payable	39,032	0	39,032
TOTAL LIABILITIES	4,939,943	9,573	4,949,516
NET ASSETS			
Invested in capital assets, net of related debt	1,823,885	18,249	1,842,134
Restricted for:			
Additional teacher contract day	3,134	0	3,134
Professional development	14,298	0	14,298
Market factor	5,422	0	5,422
Market factor incentives	3,830	0	3,830
Capital projects	544,189	0	544,189
Management levy	158,808	0	158,808
Physical plant and equipment levy	106,247	0	106,247
Other special revenue purposes	106,343	0	106,343
Unrestricted	638,512	87,601	726,113
TOTAL NET ASSETS	\$ 3,404,668	105,850	3,510,518

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,864,494	351,151	593,870	0	(1,919,473)	0	(1,919,473)
Special instruction	830,788	58,160	35,321	0	(737,307)	0	(737,307)
Other instruction	738,221	180,667	0	0	(557,554)	0	(557,554)
	4,433,503	589,978	629,191	0	(3,214,334)	0	(3,214,334)
Support services:							
Student services	113,476	0	0	0	(113,476)	0	(113,476)
Instructional staff services	329,643	0	0	0	(329,643)	0	(329,643)
Administration services	629,067	0	0	0	(629,067)	0	(629,067)
Operation and maintenance of plant services	703,273	0	0	1,925	(701,348)	0	(701,348)
Transportation services	359,928	13,792	0	0	(346,136)	0	(346,136)
	2,135,387	13,792	0	1,925	(2,119,670)	0	(2,119,670)
Other expenditures:							
Facilities acquisitions	266,409	0	0	0	(266,409)	0	(266,409)
AEA flowthrough	239,274	0	239,274	0	0	0	0
Depreciation(unallocated)*	89,638	0	0	0	(89,638)	0	(89,638)
	595,321	0	239,274	0	(356,047)	0	(356,047)
Total governmental activities	7,164,211	603,770	868,465	1,925	(5,690,051)	0	(5,690,051)
Business-Type activities:							
Instruction:							
Regular instruction	33,029	26,596	7,961	0	0	1,528	1,528
Support services:							
Administration services	246	0	0	0	0	(246)	(246)
Operation and maintenance of plant services	1,746	0	0	0	0	(1,746)	(1,746)
	1,992	0	0	0	0	(1,992)	(1,992)
Non-instructional programs:							
Nutrition services	264,459	117,527	138,767	0	0	(8,165)	(8,165)
Total business-type activities	299,480	144,123	146,728	0	0	(8,629)	(8,629)
Total	\$ 7,463,691	747,893	1,015,193	1,925	(5,690,051)	(8,629)	(5,698,680)
General Revenues:							
Local tax for:							
General purposes					\$ 2,032,440	0	2,032,440
Capital outlays					103,541	0	103,541
Income surtax					219,018	0	219,018
Local option sales and services tax					331,493	0	331,493
Unrestricted state grants					2,651,853	0	2,651,853
Unrestricted investment earnings					123,850	3,457	127,307
Other general revenues					63,854	0	63,854
Total general revenues					5,526,049	3,457	5,529,506
Changes in net assets					(164,002)	(5,172)	(169,174)
Net assets beginning of year					3,568,670	111,022	3,679,692
Net assets end of year					\$ 3,404,668	105,850	3,510,518

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 1,567,704	0	0	1,567,704
Other	1,115,780	565,021	413,310	2,094,111
Receivables:				
Property tax:				
Delinquent	27,812	0	2,684	30,496
Succeeding year	1,992,987	0	367,283	2,360,270
Income surtax	134,068	0	53,627	187,695
Interfund	25,273	0	0	25,273
Accounts	20,698	0	0	20,698
Accrued interest - ISCAP (Note 4)	12,469	0	0	12,469
Due from other governments	98,015	125,743	0	223,758
TOTAL ASSETS	\$ 4,994,806	690,764	836,904	6,522,474
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	1,748	1,748
Accounts payable	149,365	146,575	3,816	299,756
Salaries and benefits payable	650,384	0	0	650,384
ISCAP warrants payable (Note 4)	1,559,000	0	0	1,559,000
ISCAP accrued interest payable (Note 4)	13,416	0	0	13,416
ISCAP unammortized premium	17,183	0	0	17,183
Deferred revenue:				
Succeeding year property tax	1,992,987	0	367,283	2,360,270
Income surtax	134,068	0	53,627	187,695
Other	902	0	0	902
Total liabilities	4,517,305	146,575	426,474	5,090,354
Fund balances:				
Reserved for:				
Additional teacher contract day	3,134	0	0	3,134
Professional development	14,298	0	0	14,298
Market factor	5,422	0	0	5,422
Market factor incentives	3,830	0	0	3,830
SILO supplemental	0	64,540	0	64,540
Unreserved:				
Designated for special purposes	9,045	0	0	9,045
Undesignated	441,772	479,649	410,430	1,331,851
Total fund balances	477,501	544,189	410,430	1,432,120
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,994,806	690,764	836,904	6,522,474

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 1,432,120

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in in the governmental funds. 1,823,885

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 187,695

Long-term liabilities, including early retirement, are not
due and payable in the current period and, therefore, are
not reported as liabilities in the governmental funds. (39,032)

Net assets of governmental activites (page 14) \$ 3,404,668

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,093,276	331,493	247,473	2,672,242
Tuition	383,799	0	0	383,799
Other	218,439	6,635	184,526	409,600
State sources	3,285,700	64,540	0	3,350,240
Federal sources	170,078	0	0	170,078
Total revenues	6,151,292	402,668	431,999	6,985,959
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,792,008	0	42,213	2,834,221
Special instruction	830,788	0	0	830,788
Other instruction	552,098	0	171,639	723,737
	4,174,894	0	213,852	4,388,746
Support services:				
Student services	113,476	0	0	113,476
Instructional staff services	219,582	38,054	72,589	330,225
Administration services	637,155	0	0	637,155
Operation and maintenance of plant services	587,159	1,800	101,726	690,685
Transportation services	279,001	0	82,472	361,473
	1,836,373	39,854	256,787	2,133,014
Other expenditures:				
Facilities acquisitions	0	257,480	8,929	266,409
AEA flowthrough	239,274	0	0	239,274
	239,274	257,480	8,929	505,683
Total expenditures	6,250,541	297,334	479,568	7,027,443
Excess(deficiency) of revenues over(under) expenditures	(99,249)	105,334	(47,569)	(41,484)
Other financing sources:				
Proceeds from the disposal of property	0	0	2,510	2,510
Sale of equipment	566	0	0	566
Total other financing sources	566	0	2,510	3,076
Net change in fund balances	(98,683)	105,334	(45,059)	(38,408)
Fund balance beginning of year	576,184	438,855	455,489	1,470,528
Fund balance end of year	\$ 477,501	544,189	410,430	1,432,120

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ (38,408)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 123,983	
Depreciation expense	<u>(265,516)</u>	(141,533)

Some revenues reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues in the governmental funds.

Contract sale on land	(2,000)
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Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

14,250

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>3,689</u>
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Changes in net assets of governmental activities (page 15) \$ (164,002)

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 96,537	16,661	113,198
Accounts receivable	0	120	120
Inventories	7,381	0	7,381
Capital assets, net of accumulated depreciation (Note 6)	18,249	0	18,249
Total assets	122,167	16,781	138,948
Liabilities			
Interfund payable	23,525	0	23,525
Accounts payable	237	350	587
Salaries and benefits payable	0	5,258	5,258
Unearned revenue	3,728	0	3,728
TOTAL LIABILITIES	27,490	5,608	33,098
Net Assets			
Invested in capital assets	18,249	0	18,249
Unrestricted	76,428	11,173	87,601
Total net assets	\$ 94,677	11,173	105,850

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 117,527	26,596	144,123
OPERATING EXPENSES:			
Instruction:			
Regular instruction:			
Salaries	0	26,994	26,994
Benefits	0	3,698	3,698
Services	0	90	90
Supplies	0	1,987	1,987
Other	0	260	260
	0	33,029	33,029
Support services:			
Administration service:			
Supplies	0	246	246
Operation and maintenance of plant services:			
Services	1,746	0	1,746
	1,746	246	1,992
Non-instructional programs:			
Food service operations:			
Salaries	103,556	0	103,556
Benefits	14,193	0	14,193
Services	2,736	0	2,736
Supplies	141,195	0	141,195
Depreciation	2,779	0	2,779
	264,459	0	264,459
TOTAL OPERATING EXPENSES	266,205	33,275	299,480
OPERATING LOSS	(148,678)	(6,679)	(155,357)
NON-OPERATING REVENUES:			
State sources	3,739	7,961	11,700
Federal sources	135,028	0	135,028
Interest on investments	3,292	165	3,457
TOTAL NON-OPERATING REVENUES	142,059	8,126	150,185
Changes in net assets	(6,619)	1,447	(5,172)
Net assets beginning of year	101,296	9,726	111,022
Net assets end of year	\$ 94,677	11,173	105,850

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 117,818	0	117,818
Cash received from miscellaneous	458	26,596	27,054
Cash payments to employees for services	(117,749)	(29,830)	(147,579)
Cash payments to suppliers for goods or services	(136,357)	(2,233)	(138,590)
Net cash used in operating activities	(135,830)	(5,467)	(141,297)
Cash flows from non-capital financing activities:			
Interfund borrowing	2,754	0	2,754
State grants received	3,739	7,961	11,700
Federal grants received	119,136	0	119,136
Net cash provided by non-capital financing activities	125,629	7,961	133,590
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,019)	0	(1,019)
Cash flows from investing activities:			
Interest on investments	3,292	165	3,457
Net increase(decrease) in cash and cash equivalents	(7,928)	2,659	(5,269)
Cash and cash equivalents at beginning of year	104,465	14,002	118,467
Cash and cash equivalents at end of year	\$ 96,537	16,661	113,198
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (148,678)	(6,679)	(155,357)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	15,892	0	15,892
Depreciation	2,779	0	2,779
Decrease in inventories	2,777	0	2,777
Decrease in accounts receivable	196	0	196
Increase(Decrease) in accounts payable	(9,349)	350	(8,999)
Increase in salaries and benefits payable	0	862	862
Increase in unearned revenue	553	0	553
Net cash used in operating activities	\$ (135,830)	(5,467)	(141,297)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 96,537	16,661	113,198

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$15,892.

SEE NOTES TO FINANCIAL STATEMENTS.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Battle Creek-Ida Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Battle Creek and Ida Grove, Iowa, and the predominate agricultural territory in Woodbury, Crawford and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Battle Creek-Ida Grove Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Battle Creek-Ida Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury, Crawford and Ida Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax

accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 194,823</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

Individual interfund receivable and payable balances at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue, Student Activity	\$ 1,749
General	Enterprise, School Nutrition	<u>23,525</u>
Total		<u>\$ 25,274</u>

The Special Revenue, Student Activity Fund is repaying the General fund for transportation expenses. The balance will be repaid by June 30, 2009.

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2009.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 812,600	12,183	810,000	13,196
2008-09A	6/26/08	6/25/09	755,104	286	749,000	220
Total			\$ 1,567,704	12,469	1,559,000	13,416

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	100,000	100,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(5) Note Receivable

During the year ended June 30, 2003, the District entered into a contract sale with the City of Battle Creek for land. During the year ended June 30, 2008 the District received the remaining \$2,000 on the note.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,260	0	0	124,260
Total capital assets not being depreciated	124,260	0	0	124,260
Capital assets being depreciated:				
Buildings	4,004,291	0	0	4,004,291
Land improvements	439,657	0	0	439,657
Machinery and equipment	1,642,933	123,983	36,533	1,730,383
Total capital assets being depreciated	6,086,881	123,983	36,533	6,174,331
Less accumulated depreciation for:				
Buildings	2,868,321	70,785	0	2,939,106
Land improvements	185,582	18,853	0	204,435
Machinery and equipment	1,191,820	175,878	36,533	1,331,165
Total accumulated depreciation	4,245,723	265,516	36,533	4,474,706
Total capital assets being depreciated, net	1,841,158	(141,533)	0	1,699,625
Governmental activities capital assets, net	\$ 1,965,418	(141,533)	0	1,823,885

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 81,621	1,019	9,075	73,565
Less accumulated depreciation	61,612	2,779	9,075	55,316
Business-type activities capital assets, net	\$ 20,009	(1,760)	0	18,249

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 54,322
Other	14,484
Support services:	
Instructional staff	20,989
Operation and maintenance of plant	18,038
Transportation	68,045
	<u>175,878</u>
Unallocated depreciation	89,638
Total governmental activities depreciation expense	<u>\$ 265,516</u>
Business-type activities:	
Food services	<u>\$ 2,779</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 42,721	39,032	42,721	39,032	39,032

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The Board accepts two applications for certified staff and two for non-certified staff. If the maximum two employees in each category is not filled, then it is opened up to eligible employees with fifteen to nineteen years of continuous service to the District. The early retirement incentive for each eligible employee is equal to a percent of salary per the number of years of service. The District paid \$42,721 in early retirement benefits during the year ended June 30, 2008. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$261,930, \$249,970 and \$240,286 respectively, equal to the required contributions for each year.

(9) Risk Management

Battle Creek-Ida Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$239,274 for

the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 3,465,641	147,580	3,613,221	3,867,183	3,867,183	(253,962)
State sources	3,350,240	11,700	3,361,940	3,355,803	3,355,803	6,137
Federal sources	170,078	135,028	305,106	328,000	328,000	(22,894)
Total revenues	6,985,959	294,308	7,280,267	7,550,986	7,550,986	(270,719)
Expenditures:						
Instruction	4,388,746	33,029	4,421,775	4,592,644	4,592,644	170,869
Support services	2,133,014	1,992	2,135,006	2,217,000	2,217,000	81,994
Non-instructional programs	0	264,459	264,459	240,000	240,000	(24,459)
Other expenditures	505,683	0	505,683	853,078	853,078	347,395
Total expenditures	7,027,443	299,480	7,326,923	7,902,722	7,902,722	575,799
Excess(deficiency) of revenues over(under) expenditures	(41,484)	(5,172)	(46,656)	(351,736)	(351,736)	305,080
Other financing sources, net	3,076	0	3,076	2,000	2,000	1,076
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(38,408)	(5,172)	(43,580)	(349,736)	(349,736)	306,156
Balance beginning of year	1,470,528	111,022	1,581,550	830,213	830,213	751,337
Balance end of year	\$ 1,432,120	105,850	1,537,970	480,477	480,477	1,057,493

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the Non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 196,623	111,907	104,780	413,310
Receivables:				
Property tax:				
Current year delinquent	1,217	0	1,467	2,684
Succeeding year	250,000	0	117,283	367,283
Income surtax	0	0	53,627	53,627
TOTAL ASSETS	\$ 447,840	111,907	277,157	836,904
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	1,748	0	1,748
Accounts payable	0	3,816	0	3,816
Deferred revenue:				
Succeeding year property tax	250,000	0	117,283	367,283
Income surtax	0	0	53,627	53,627
Total liabilities	250,000	5,564	170,910	426,474
Fund balances:				
Unreserved:				
Undesignated	197,840	106,343	106,247	410,430
Total fund balances	197,840	106,343	106,247	410,430
TOTAL LIABILITIES AND FUND BALANCES	\$ 447,840	111,907	277,157	836,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 85,201	0	162,272	247,473
Other	16,519	167,431	576	184,526
TOTAL REVENUES	101,720	167,431	162,848	431,999
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	42,213	0	0	42,213
Other instruction	0	171,639	0	171,639
Support services:				
Instructional services	0	0	72,589	72,589
Operation and maintenance of plant services	101,726	0	0	101,726
Student transportation	12,882	0	69,590	82,472
Other expenditures:				
Facilities acquisitions	0	0	8,929	8,929
TOTAL EXPENDITURES	156,821	171,639	151,108	479,568
EXCESS OF REVENUES OVER EXPENDITURES	(55,101)	(4,208)	11,740	(47,569)
OTHER FINANCING SOURCES:				
Proceeds from the disposal of property	0	0	2,510	2,510
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(55,101)	(4,208)	14,250	(45,059)
FUND BALANCE BEGINNING OF YEAR	252,941	110,551	91,997	455,489
FUND BALANCE END OF YEAR	\$ 197,840	106,343	106,247	410,430

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Coed athletics	\$ 43,182	58,727	56,722	45,187
Cross country	0	159	0	159
Falcons boy's basketball	2,893	10,376	9,542	3,727
Falcon football	2,528	0	156	2,372
HS Falcon baseball	269	590	0	859
Falcons boys track	0	408	0	408
Falcon High School Bowling	865	936	683	1,118
Falcon boys golf	0	50	0	50
Falcon wrestling	1,286	6,478	5,982	1,782
Falcon girls basketball	1,963	1,888	1,814	2,037
Falcon volleyball	0	115	0	115
Falcon girls softball	1,988	3,708	5,336	360
Falcon girls track	0	175	0	175
Falcon girls golf	36	175	0	211
Outdoor classroom	1,704	174	22	1,856
Concessions	470	14,296	13,198	1,568
Interest	5,837	4,504	4,504	5,837
Class of 2008	1,160	3,376	2,635	1,901
Class of 2007	805	0	500	305
Class of 2006	421	0	0	421
Class of 2012	219	0	0	219
Class of 2009	0	12,087	11,398	689
Class of 2010	80	20	100	0
Class of 2011	175	170	130	215
Class of 2014	92	67	0	159
Class of 2013	68	0	0	68
Class of 2015	0	108	0	108
IGE fundraising	4,409	0	2,071	2,338
IG elementary book fair	1,777	3,885	4,484	1,178
ECC pop machine	1,099	1,551	1,853	797
MS sports	6,161	4,004	3,979	6,186
MS cheerleaders	18	0	0	18
MS special pop	545	716	477	784
MS carnival	1,477	760	996	1,241
MS art club	30	0	0	30
MS book fair club	2,342	1,569	2,790	1,121
MS student council	2,742	4,789	7,475	56
HS drama	2,931	2,240	1,907	3,264
HS vocal	425	1,827	1,743	509
HS band	2,724	3,850	2,677	3,897
HS Band equipment	1,204	0	0	1,204
Cheerleaders	1,800	1,815	2,480	1,135
Drill team	4,764	6,516	8,992	2,288
Senior memories	782	0	0	782
Quiz bowl fund	531	25	0	556
HS vending	0	19	15	4
HS Art club	311	185	0	496
FLA	819	3,652	3,714	757
National Honor Society	1,650	6,395	6,286	1,759
Spanish club	2,078	0	0	2,078
HS book fair	776	0	191	585
HS student council	3,115	5,046	6,787	1,374
Total	\$ 110,551	167,431	171,639	106,343

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	2,672,242	2,616,624	2,564,373	2,299,301	2,123,977
Tuition		383,799	380,045	300,685	323,148	316,081
Other		409,600	468,740	430,455	402,431	307,577
State sources		3,350,240	3,233,158	3,166,741	3,091,914	3,046,556
Federal sources		170,078	175,486	214,114	190,284	206,952
Total	\$	6,985,959	6,874,053	6,676,368	6,307,078	6,001,143
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	2,834,221	2,791,135	2,685,879	2,554,133	2,516,048
Special instruction		830,788	788,325	823,163	889,485	892,439
Other instruction		723,737	715,866	706,376	493,172	467,234
Support services:						
Student services		113,476	159,825	150,047	137,394	137,103
Instructional staff services		330,225	313,868	293,904	263,161	214,155
Administration services		637,155	649,696	646,404	628,141	619,820
Operation and maintenance of plant services		690,685	683,858	674,114	607,453	547,542
Transportation services		361,473	366,948	358,952	265,725	284,302
Other expenditures:						
Facilities acquisitions		266,409	315,829	172,932	207,088	29,538
AEA flow-through		239,274	233,619	227,081	226,110	231,726
Total	\$	7,027,443	7,018,969	6,738,852	6,271,862	5,939,907

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Battle Creek-Ida Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Battle Creek-Ida Grove Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Battle Creek-Ida Grove Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Battle Creek-Ida Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Battle Creek-Ida Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Battle Creek-Ida Grove Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Battle Creek-Ida Grove Community School District's financial statements that is more than inconsequential will not be prevented or detected by Battle Creek-Ida Grove Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Battle Creek-Ida Grove Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

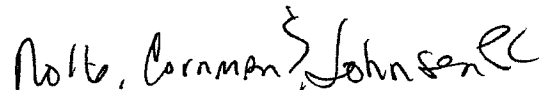
As part of obtaining reasonable assurance about whether Battle Creek-Ida Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Battle Creek-Ida Grove Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Battle Creek-Ida Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Battle Creek-Ida Grove Community School District and other parties to whom Battle Creek-Ida Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Battle Creek-Ida Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2009

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

There was a student interest account that had a balance remaining at the end of the year. The interest collected during the year should be allocated out to other student activity accounts. The balance remaining at the end of the current year should be allocated out to other activity accounts or an action plan needs to be put in place on how the District plans to spend this balance within the Student Activity Fund.

Book fairs which are used as fundraisers for library books are recorded in the Student Activity accounts. The library books should not be purchased from the Student Activity Funds.

There are high school fundraising vending, ECC pop machine, middle school special pop, and IGE fundraising accounts. These accounts are not student run organizations and do not appear to be cocurricular in nature and should therefore, be run through the General Fund.

We noted that Box Tops for Education donations were being receipted into the Student Activity Fund. These donations do not specify the purpose other than instructional supplies; therefore, these donations should be receipted into the General Fund for use in all instructional supplies.

Response - We have reviewed the accounts in question and have moved the necessary Student Activity accounts to more appropriate funds. More specifically, the EEC pop fund has been transferred to the General Fund as it is administrative in nature. (The account will no longer exist as the building is scheduled to be closed next year.)

Box Tops for Education and Book Fair receipts and expenditures have been transferred to the General Fund.

The District is monitoring all Student Activity accounts to make sure expenditures are for co-curricular programs only as defined by the Code of Iowa.

Due to the start of whole grade sharing with Odebolt-Arthur next year, all activity accounts will be looked into individually. Rules and guidelines for these accounts will be reviewed with any new and existing staff who will be handling these accounts next year.

The high school administrator has closed the HS Vending Machine account and we have met to review proper expenditures for the MS and Elementary accounts.

Conclusion - Response accepted.

- I-C-08 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission. We also noted during our audit that the summer sports gate box is being kept by Becky Miller at her home between events.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.

- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District started using pre-numbered tickets in the 2008-2009 school year. The District will also work on correctly reconciling the cash versus the number of tickets sold as well as continue to work on the rest of the steps that have been recommended.

Conclusion - Response accepted.

- I-D-08 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The new Board President has been made aware of this. We have obtained his signature on any officials' contracts that have been processed since the beginning of the 2008-2009 year.

Conclusion - Response accepted.

- I-E-08 Payments to Athletic Officials - We noted during our audit of the Special Revenue, Student Activity Fund instances where officials checks were issued by the District but were then given to a different official.

Recommendation - The District should review procedures in place for payments made to officials. Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and athletic officials should be informed that payment will be made in this manner unless a valid contract exists.

Response - The AD was made aware of this deficiency as well as a few officials who were in violation of this rule. The person in charge of issuing officials checks is monitoring the officials form that is signed at each event and comparing names to the actual checks issued.

Conclusion - Response accepted.

- I-F-08 Sponsor Procedures - During our audit we noted that sponsors were not always turning in supporting documentation for money collected from individuals, fundraising events and other revenue fees. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given

and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposits.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for previously collected receipts, they should provide documentation of their receipts. The District should take necessary steps to require all sponsors to turn in collected money on a timely basis with a detailed receipt or another form of detailed documentation. This detailed documentation should at a minimum include the individual that the sponsor received the money from, the purpose, the fund/organization/club that needs to be credited, the date and amount.

Response - The central office has contacted the sponsors who we know are in violation and are working with them to follow the system we have in place whereas sponsors complete a “green sheet” that is an itemized listing of the money collected. This sheet, along with the money collected, is sent to the office. The central office is also working with the building administrators to ensure money is being sent to the office in a more timely manner. This process is also outlined in the Business Procedures Manual that was distributed to staff prior to 07-08.

Conclusion - Response accepted.

- I-G-08 Donations - We noted during our audit that donations were made from the Student Activity Fund to a scholarship foundation. The Uniform Procedures Manual specifically identifies “Student activity funds may not in any event be donated or allocated to any private organization” which is referenced from an Attorney General’s Opinion dated March 26, 1946. The District should refrain from making donations to any organization.

Recommendation - The District should review its procedures to ensure that District funds are not donated to private organizations.

Response - In September 2007 we received clarification on this item from the State Auditor’s office. They said that as long as the “reason” for the fundraiser is clearly identified and the recipient of the funds raised clearly disclosed as going to the individual or organization before the funds are raised and remitted, that it was okay to donate to organizations such as BCIG Scholarship, Cystic Fibrosis, Angel Tree at Christmas, etc. The District feels any donation to the BCIG Scholarship Foundation will benefit all students of BCIG as all students are eligible to receive scholarships upon graduation. We will continue to monitor the fundraising forms that are completed by the sponsor/activity groups to make sure that the recipients for the fundraisers are specifically identified.

Conclusion - Response accepted. We acknowledge the position of the State Auditor’s office. However, the District needs to keep track of the funds from these fundraisers and ensure that the funds being fundraised are the ones that are being transferred to the scholarship foundation. The District must also ensure that it is keeping forms to track the money that is being raised and transferred to the scholarship foundation.

I-H-08 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be review every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - Policies up to the 400 series have been reviewed and updated. The Administration and the Board are working hard on the remaining sections that haven't been updated with a target completion date of December 31, 2009.

Conclusion - Response accepted.

BATTLE CREEK-IDA GROVE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 exceeded the amounts budgeted in the non-instructional programs function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We are maintaining a spreadsheet to monitor the four main categories of the budget so it can be amended prior to year end if we are projecting to overspend in any category.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-08 Certified Enrollment - We noted that the number of open enrolled out resident students reported to the Iowa Department of Education on line 2 of the Certified Enrollment Certification Form for October 2007 was overstated by 1.4 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.